

New York County **District Attorney's Office**

District Attorney Cyrus R. Vance, Jr.

DISTRICT ATTORNEY - NEW YORK COUNTY

News Release
March 8, 2007Contact: Barbara Thompson
212.335.9400[VIEW THE INDICTMENT \(.pdf format\)](#)

Manhattan District Attorney Robert M. Morgenthau announced today the indictment of the former governor and mayor of Sao Paulo, Brazil, and four co-conspirators, for stealing more than \$11.6 million from a Brazilian public works project.

PAULO MALUF, the former Governor and Mayor of the State and City of Sao Paulo, Brazil, and currently a Federal Deputy in the lower house of the National Congress of Brazil, is charged with participating in an over-invoicing and kickback scheme, which generated millions of dollars in criminal proceeds. The stolen funds were illegally transferred to a bank account in New York secretly controlled by MALUF, and then wired to another account under MALUF's control in the Isle of Jersey, the Channel Islands. Some of the kickback funds were used to pay for personal expenses in the United States and Brazil and to finance political campaigns in Brazil.

In addition to PAULO MALUF, those charged in today's indictment are his son, FLAVIO MALUF, SIMEAO DAMASCENO de OLIVEIRA, the Finance Director of a Brazilian construction company involved in the scheme, JOEL GUEDES FERNANDES, a cashier/pay clerk at the construction company, and VIVALDO ALVES, a black market money transmitter.

Mr. Morgenthau said, "As Mayor of the City of Sao Paulo, PAULO MALUF and his cohorts looted the city's coffers and used New York as a conduit to move stolen funds to offshore jurisdictions where he believed they would be safe from detection. Today's indictment sends the message that we will not allow New York to be used to funnel criminal proceeds no matter where they are generated."

The investigation disclosed that while MALUF was the Mayor from 1993 to 1997, and continuing thereafter, the defendants conspired to steal and stole massive amounts of money from the City of Sao Paulo. MALUF used his position to install close friends and allies in key positions within the municipal government to facilitate the scheme.

The over-invoicing and kickback scheme involved the construction of an arterial highway in São Paulo known as the Avenida Agua Espraiada. To take part in the project, construction sub-contractors were required to submit inflated and false invoices to the general contractors. Upon receipt of these invoices, the general contractors, Brazilian construction companies Mendes Junior and OAS, submitted them for payment to Empresa Municipal de Urbanização (EMURB), the São Paulo municipal agency supervising the project. Following EMURB'S payment of the inflated invoices, the general contractors generated kick-backs to PAULO MALUF, FLAVIO MALUF, and others. The kickbacks were calculated and distributed by, among others, DAMASCENO and GUEDES.

The MALUFs received the kickbacks through both cash payments and the transmission of funds through illegal black market money operations, known as "doleiros," to accounts they controlled in New York. Some of these illegal transmissions were in the form of wire transfers sent to an account at Safra National Bank, 546 Fifth Avenue in Manhattan, maintained under the code name "Chanani." The Chanani account was opened by ALVES, who falsely indicated to the bank that ALVES and his wife were the beneficial owners of the Chanani account, when, in fact, it was controlled by the MALUFs.

The MALUFs used the Chanani account to transfer funds to other accounts at Safra National Bank controlled by PAULO MALUF, FLAVIO MALUF, and other members of the Maluf family; some of this money was used to buy personal items in the United States for the MALUFs' benefit, including watches and jewelry purchased from auction houses in Manhattan.

Other funds from the Chanani account were used to pay personal expenses and campaign expenses in Brazil, including PAULO MALUF's 1998 campaign for Governor of São Paulo and the 1997 campaign for Mayor of São Paulo by PAULO MALUF's chosen successor. The MALUFs also transferred funds from the Chanani account to accounts in Jersey they controlled. Ultimately, some of the money in the Jersey accounts was repatriated to Brazil using the doleiro system and paid out to the MALUFs in cash.

During the 18-month period from November 1997 to May 1999, bank records show that \$140 million passed through the Chanani account. Mr. Morgenthau said, "This scheme involved a project budgeted at \$200 million that ended up costing Brazilians \$600 million. Our investigation disclosed that the kickbacks to MALUF alone amounted to about twenty percent. This case represents corruption and greed on a colossal scale."

Specifically, the indictment charges that from January to August 1998, a total of \$11,680,832.62 was transferred into the Chanani account in fifteen transactions that ranged from \$345,922.50 to \$1,666,667.00. Similarly, the indictment charges that from January to November 1998, a total of \$16,120,000.00 was transferred from the Chanani account to the account controlled by the MALUF's in Jersey. Finally, the indictment charges that \$1,143,279.87 was repatriated to Brazil through the Chanani account to pay campaign expenses in Brazil.

The indictment charges that PAULO MALUF was in charge of the conspiracy and received the largest share of the stolen money. His son, FLAVIO MALUF, helped set up and control the bank accounts in New York and elsewhere. VIVALDO ALVES set up accounts in Manhattan, and helped the MALUFs move the stolen money out of and into Brazil through doleiros. SIMEAO DAMASCENO and JOEL GUEDES, were both employees of Mendes Junior. DAMASCENO, the company's Financial Director, supervised the over-invoicing scheme and kept track of the kickbacks PAULO MALUF received. GUEDES, a Mendes Junior book-keeper and pay clerk, wrote the checks for the over-invoicing scheme and made sure that the cash payments of stolen funds were distributed to the schemers.

The indictment further charges that the conspiracy continued into 2004, as the MALUFs attempted to conceal the conspiracy and keep control of their ill-gotten gains. For example, in 2004, an associate of PAULO and FLAVIO MALUF attempted to bribe a witness not to cooperate with law enforcement officials in Brazil investigating the scheme. Subsequently, in 2005, PAULO and FLAVIO MALUF were jailed in Brazil for about 40 days for attempting to influence a co-conspirator not to cooperate with Brazilian officials. Charges against PAULO MALUF and FLAVIO MALUF and other co-conspirators are pending in Brazil.

The defendants are charged in the seventeen count indictment with Conspiracy in the Fourth Degree, five counts of Criminal Possession of Stolen Property in the First Degree and eleven counts of Criminal Possession of Stolen Property in the Second Degree.

Mr. Morgenthau noted that in the past three years, the Manhattan District Attorney's Office has investigated a number of illegal money transmitter cases involving the tri-border region of South America, comprised of Brazil, Argentina and Paraguay. Mr. Morgenthau said, "The Maluf indictment exemplifies the problems posed by black market money transmitters. All sorts of criminals use these systems to move money, including drug dealers, arms traffickers and terrorists. And, as today's indictment shows, corrupt politicians who steal hundreds of millions from their constituents also use the black market. As more and more crime goes global, we must make sure that our banks are not used to facilitate the transfer of criminal proceeds no matter where they are derived."

Mr. Morgenthau said that the investigation was conducted through the cooperation of law enforcement agencies on three continents. Officials in Brazil, Jersey, and the Manhattan D.A.'s Office, operating with court orders permitting the sharing of evidence, worked together to trace and freeze assets, bring forfeiture actions, and charge the appropriate individuals with criminal conduct. About \$26 million in criminal proceeds have been frozen by the authorities in Jersey, and both Brazil and New York authorities have begun proceedings seeking forfeiture and repatriation of the stolen funds to Brazil.

Adam Kaufmann, Deputy Bureau Chief of Investigations Division Central, conducted the investigation with Assistant District Attorney Matthew Rosen, under the supervision of Arthur D. Middlemiss, Bureau Chief of Investigations Division Central and Dan Castleman, Chief of the Investigation Division. Investigative Analyst Matthew Murphy and Paralegals Surabhi Saraswat, Matthew Guarnieri and Kate Currie also worked on this investigation. In addition, Investigators Jonathan Savel and Tony Ortiz of the District Attorney's Investigations Bureau were assigned to the investigation under the supervision of Senior Investigator Jose Flores and Chief Investigator Joseph Pennisi.

Mr. Morgenthau thanked:

From Brazil: The Prosecutor General of the State of Sao Paulo Rodrigo Pinho, State Prosecutors Silvio Antonio Marques and Sergio Sobrane, and Senior Technical analyst Monica Semarao; Prosecutor General of the Republic of Brazil Antonio Fernando de Souza and Federal Prosecutor Rodrigo de Grandis; National Secretary of Justice Antenor Madruga Fihlo, Advisor for Asset Recovery and International Cooperation Ana Maria Nunes de Souza Belotto, Carolina Yumi de Souza, and the analysts and staff assigned to this investigation from the Brazilian Ministry of Justice; Federal Police Delegados Protogenes Queiroz and Roberto Troncon.

From Jersey: Her Majesty's Attorney General William J. Bailhache, Q.C.; former Senior Crown Advocate Cyril Whelan; and Barristers Collingswood Thompson, Q.C., and Stephen Gray.

Defendant Information:

Paulo Salim Maluf, DOB 9/3/1931
Rua Costa Rica, No. 146
Jardim Europa
Sao Paulo/SP

Flavio Maluf, DOB 12/2/1961
Rua Goivols, 111
Cidade Jardim
Sao Paulo/SP

Vivaldo Alves, DOB 8/31/1945
64/17 Rua Paraguai
Jardim Paulista
Sao Paulo City

Simao Damasceno de Oliveira
Praca Wilhelm Bernauer
Parque de Mooca
Sao Paulo City

Joel Guedes Fernandes
Rua Quintino Bocaiuva
Santa Rita do Sapucaí
Minas Gerais

Charges:

Criminal Possession of Stolen Property in the First Degree, P.L. 165.54, a class "B" felony punishable by up to 25 years in prison.

Criminal Possession of Stolen Property in the Second Degree, P.L. 165.52, a class "C" felony punishable by up to 15 years in prison.

Conspiracy in the Fourth Degree, P.L. 105.10(1), a class "E" felony punishable by up to 4 years in prison.

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